Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
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Implementation of Sections	)	
of the Cable Television Consumer	)	
Protection and Competition Act	)	CS Docket No. 96-60
of 1992	)	
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LEASED COMMERCIAL ACCESS	)	

**COMMENTS OF RAINBOW PROGRAMMING HOLDINGS, INC.
ON FURTHER NOTICE OF PROPOSED RULEMAKING**

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ON FURTHER NOTICE OF PROPOSED RULEMAKING**

I. INTRODUCTION AND SUMMARY

Rainbow Programming Holdings, Inc. ("Rainbow"), a producer of diverse and innovative programming services, submits these comments on the FCC's Further Notice of Proposed Rulemaking ("Further Notice") on commercial leased access.[1/] Rainbow is concerned that the Commission's proposals will have unintended adverse effects not only on Rainbow, but also on other similarly situated programmers, as well as cable operators and consumers.

Rainbow's programming networks offer sports, regional and local news, fine arts, independent film, classic film, and music programming. These services provide subscribers

[1/] Order on Reconsideration of the First Report and Order and Further Notice of Proposed Rulemaking, MM Docket No. 92-266, CS Docket No. 96-60 (released March 29, 1996).

with television offerings that satisfy programming niches that might otherwise go unserved.

If the Commission's proposals were adopted, programmers like Rainbow would be severely impeded in continuing to distribute their existing services and be irreparably harmed in their ability to develop new high quality services. Because of the scarcity of available channel capacity, the Commission's proposals might have the effect of replacing Rainbow's programming with programming that, given the incentives of leased access, is likely to consist largely of home shopping and infommercials or other low-budget product. New highly targeted program services, like those planned by Rainbow, would be stymied in their efforts to gain carriage.

The Commission's proposals emphasize one element of the articulated statutory purposes of the 1984 Cable Act at the expense of another, equally important, element. One of Congress' aims in enacting the 1984 Cable Act was to ensure that cable subscribers receive the "widest possible diversity of information sources and services."[2/] Although the Commission seeks to enhance cable programming sources by making leased commercial access rates artificially low, its proposals would frustrate the delivery of diverse services, like those offered by Rainbow.

The Commission's proposals would also undercompensate cable operators for leased access and strip operators of their ability to assemble and package programming tiers in the most attractive manner possible for marketing purposes. Consequently, the Commission's proposals run contrary to the 1984 Cable Act's intent that the FCC adopt leased access rules that would not adversely impact the development and economic viability of cable systems.

[2/] § 601(4), 47 U.S.C. § 521(4). (emphasis added).

If the FCC adopts any changes in its leased commercial access formula, it should, at a minimum, restrict its application to new channel capacity as it becomes available. Doing so would be consistent with Congress' grandfathering of channel line-ups in place shortly before the 1984 Cable Act was enacted. Without such a grandfathering provision, many cable operators would be forced to drop programming networks from channel line-ups that they assembled in compliance with the FCC's own leased access rules adopted to implement the 1992 Act.

In addition, the Commission should not require cable operators to place leased access programmers on any particular tier. Such proposals are directly contrary to the intent of the 1984 and 1992 Cable Acts. Congress did not mandate a specific tier location for leased access channels. Instead, Congress made clear its commitment to protect cable operators' ability to market their programming most effectively. If Rainbow is to continue to be a wellspring of new program ideas, it must be given an equal chance to compete for channel space on the basic and expanded basic tiers of the nation's cable operators. It should not be forced to contest with competitors that have a guaranteed right to tier placement.

II. RAINBOW'S PROGRAMMING NETWORKS HAVE PROVIDED CABLE CONSUMERS WITH THE DIVERSITY CONGRESS SOUGHT TO ENCOURAGE IN THE CABLE ACT

A. Congress Sought to Encourage Diversity of Program Services as Well as Diversity of Program Sources in the 1984 Cable Act

The Commission's Further Notice proposes a new commercial leased access regulatory regime that would undermine the intent of Congress in enacting Section 612 of the Cable Act of 1984. While Congress was concerned with programming source diversity in adopting Section 612, it also specifically stated that one of the Cable Act's primary purposes was to "assure that cable communications provide and are encouraged to provide the widest possible diversity of information sources and services to the public.[3] Congress clearly did not want the commercial leased access provisions of Section 612 to be interpreted so rigorously as to stifle the development of innovative services within the cable industry.

In the Cable Act, Congress sought to preserve the growth of cable as an editorial medium, selecting the mix of programming appropriate to the system's own market. Congress therefore required the FCC to establish rules requiring cable television operators to provide channel space for leased commercial access "in a manner consistent with the growth and development of cable systems."[4] It also inserted a provision making it clear that a cable operator in setting the price for leased access could do so in a manner to assure that such use would not adversely affect the "operation, financial condition or market development" of the cable system.[5] These provisions were retained in the 1992 revisions to the commercial leased access section of the 1984 Act.

Since the 1984 Cable Act's passage, cable television has experienced significant "growth and development" though dramatic expansion of diverse programming formats, styles and packaging options.

B. Rainbow's Niche Programming Ventures Have Fulfilled the 1984 Cable Act's Intent

Rainbow's own programming networks offer eloquent testimony to how the cable programming landscape has expanded exponentially in diversity and quality, filling many

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[3] Section 601(4) (emphasis added).

[4] Communications Act, § 612(a), 47 U.S.C. § 532(a).

[5] Id. at § 612(c)(1), 47 U.S.C. § 532 (c)(1).

new programming niches not served in 1984. Rainbow is a pioneer of the niche programming concept. Initiatives in new cable network development by its corporate parent Cablevision Systems Corporation began shortly after cable television became a viable distribution vehicle for cable-system specific video programming in addition to retransmission of broadcast television signals.

1. Regional and National Sports Programming

SPORTSCHANNEL New York, the first regional pay cable sports channel, was launched in 1976 to fill a significant gap in local sports cable programming. Rainbow expanded the SPORTSCHANNEL concept during the 1980's and 1990's with PRISM, a Philadelphia-based regional sports and film network, SPORTSCHANNEL Philadelphia, exclusively devoted to regional sports product, SPORTSCHANNEL New England, SportsVision, which later became SPORTSCHANNEL Chicago, SPORTSCHANNEL Florida, Sportschannel Ohio, SPORTSCHANNEL Cincinnati and SPORTSCHANNEL Bay Area (later SPORTSCHANNEL Pacific).

In 1988, Rainbow launched **SportsChannel America**, a 24-hour national sports network, which later merged with Prime Network to form **Prime SPORTSCHANNEL Networks**, serving 21 regional sports affiliates extending from coast-to-coast and representing close to 50 million subscribers.

2. Arts and Film Programming

Rainbow, in the early 1980's created **BRAVO: The Film and Arts Network**, which debuted on 110 cable systems in 22 states. In the first month of its existence, BRAVO carried the first original productions of symphony, ballet and opera designed expressly for cable television. BRAVO currently reaches more than 22 million cable subscribers. It features the best of independent U.S. and international film, theater, dance, jazz, and profiles on the arts, such as its new original series "Inside the Actors Studio."

Rainbow then introduced **American Movie Classics**, the nation's first 24-hour programming network dedicated to the uncut and commercial-free presentation of classic Hollywood films. AMC maintains one of the world's most extensive libraries of classic film. Bestowed with many awards, AMC is currently available to 60 million homes.

3. Regional News Programming

In 1986, Rainbow launched **News 12 Long Island**, the first 24-hour regional cable news network. News 12 packages and delivers news programming focused on the unique needs and issues in each suburban region it serves. It has added operations serving Fairfield County, Connecticut, Westchester County, New York, and, just this year, launched News 12 New Jersey, New Jersey's only 24-hour local news channel.

In 1991, Rainbow broke new programming ground by successfully testing the first courtroom television network, **In Court**. It then partnered with TCI, Time Warner and NBC to launch **Court TV**, which is now owned by Time Warner.

4. Recent Network Launches

Following the 1992 Cable Act's passage, Rainbow launched **NewSport**, the first and only 24-hour sports news network; **MuchMusic USA**, an alternative concept in music television; and **The Independent Film Channel**, a network dedicated to showcasing films made outside of the traditional Hollywood system

5. Program Concepts in Development

Rainbow also has several first-of-their-kind niche program concepts in development. One is **Romance Classics**, a channel devoted to romance entertainment. Another is **MetroPack**, a new local programming concept that offers distinct channels focusing on local area weather, traffic, sports, shopping and music. Initially targeted for the New York City area, MetroPack's mission is to become the primary source of information in the metropolitan area for people to learn about recreational activities available to them, and obtain advice as to how to negotiate life in the area and find the best deals on area products and services. Metro will provide details and reviews on lifestyle options from music concerts to art shows, from antique fairs to nightspots, from restaurants to rock-climbing, from traffic guides to therapies.

Cablevision's Long Island system is already offering, as a pilot for this concept, **Extra Help,** which offers advice on topics from auto repair to pet care. Extra Help is a learning resource center for people of all ages. Specific assistance is provided to school aged children through curriculum based programming. Extra Help also provides more specific information and answers through live call-in television and online components.

Rainbow is also experimenting with "hyperlocal" channels that target news for smaller communities within a cable system's reach. Attached to this filing are articles detailing this "Neighborhood News" effort, which is the ultimate in narrowly focused programming.

Through a combination of innovation by programmers such as Rainbow and the ability of cable operators to exercise editorial discretion as to the selection, packaging, and marketing of program tiers in a manner that best attracts and services their customers, the cable programming landscape of 1996 is fundamentally different than in 1984. The goal Congress articulated in the 1984 Cable Act to stimulate programming of diverse types has today been achieved. It would be a severe misreading of Congressional intent to elevate the search for program source diversity to such an extent that it punishes and undermines the achievement of this equally strongly stated purpose of the 1984 Act.

III. THE FCC'S PROPOSALS WOULD PRODUCE UNINTENDED ADVERSE EFFECTS ON CABLE PROGRAMMERS LIKE RAINBOW

The FCC's proposals in its Further Notice to establish a new leased access "cost/market rate" formula and new requirements for leased access tier placement are highly likely to adversely effect the vigorous and innovative cable programming marketplace that has stimulated Rainbow to create these diverse channels. Rainbow endorses the filing by economic experts Stanley M. Besen and E. Jane Murdoch of Charles River Associates submitted by other programmers in this proceeding.[6/] As Besen and Murdoch explain in detail, the Commission's proposals likely would have results directly contrary to the public interest, and to the intent of the 1984 Cable Act.

The Commission's proposed cost/market rate formula would unfairly tilt the competitive field in favor of leased access programmers by making leased access rates unreasonably low, in some cases close to zero. This would artificially increase the attractiveness of leased access and inadequately compensate cable operators for the lost channel capacity.

[6/] Stanley M. Besen and E. Jane Murdoch, "The Impact of the FCC's Leased Access Proposal on Cable Television Program Services," May 15, 1996 ("Besen and Murdoch"), attached as Ex. 1 to Joint Comments of Turner Broadcasting System, Inc., News Corporation, Ltd. and C-SPAN in this docket, filed May 15, 1996.

The FCC's proposals would also grant leased access programmers carte blanche to choose their own tier placement. This would make it impossible for cable operators to make editorial decisions that would achieve the greatest subscriber satisfaction and tier quality by assembling and packaging tiers with the optimal mix of programming types and formats.

Of direct concern to Rainbow is the fact that, since U.S. cable systems are already channel-locked or close to being filled to capacity. the combined effect of this anticipated increase in leased access demands, decrease in leased access rates, and loss of operator control over the composition and packaging of cable product tiers might likely be the deletion of existing cable programming networks, like those of Rainbow, in order to accommodate leased access programming.

Well-defined special interest programming such as Rainbow's niche program services may be at higher risk than broader-based program services. And highly focused program concepts, such as Rainbow's MetroPack and "Neighborhood News" type programming, might be stillborn. This cannot be the Commission's intention. It would be totally antithetical to the intent of Congress, outlined above, that diverse services such as Rainbow's be nurtured by the FCC.

Moreover, the programming that was added to the cable program line-up in place of Rainbow's programming would, in most instances, be of less value to consumers. As Besen and Murdoch note, the type of leased access programming most likely to benefit from the FCC's proposals would be home shopping or program-length infommercials. At best, even if Rainbow's programming were not dropped, the placement of such leased access channels on the same tier as Rainbow programming would dramatically reduce the tier placement's value to Rainbow.

Government regulatory pressure on a cable operator that causes it to delete diverse, high quality programming like Rainbow's as a result of its obligation to accommodate predominantly low-budget longform advertising or home shopping fare not in the public interest. Such a rule is flatly inconsistent with the 1984 Cable Act in that it inhibits the "market development" of cable systems.[7/]

The Act's drafters recognized the danger that leased commercial access posed to the cable industry if it were irrationally administered by the FCC. They therefore made clear that "[t]he diversity envisioned by this scheme is to be brought about in a manner which is not inconsistent with the growth and development of cable systems."[8/] Congress warned that "[i]f not properly implemented, leased access requirements could adversely impact the economic viability of a cable system, thereby hurting the public."[9/]

[7/] See § 612(c)(1), 47 U.S.C. § 532(c)(1).

[8/] 1984 Cable Act House Report at 48.

[9/] Id. at 50. The 1984 Cable Act's language concerning complaints against cable operators' leased access rates and terms also recognized the need for operator flexibility to respond to market realities. It states that, in the case of such a complaint:

> there shall be a presumption that the price, terms, and conditions for use of channel capacity designated ... are reasonable and in good faith unless shown by clear and convincing evidence to the contrary. Communications Act, § 612(f), 47 U.S.C. § 532(f).

This language was also retained by Congress after the 1992 amendments to Section 612.

By undercompensating cable operators for leased access, stripping operators' ability to assemble and package their own tiers in the most attractive manner in marketing purposes, and causing cable operators to delete high quality diverse programming such as that offered and proposed by Rainbow in favor of potentially lower quality programming with different profit-making techniques and goals, the Commission's proposals would produce the very "adverse affects" that the 1984 Act's drafters warned against. Thus Rainbow urges the FCC not to adopt its proposed "cost/market rate" formula.

IV. THE FCC SHOULD RESTRICT THE APPLICATION OF ANY NEW LEASED ACCESS FORMULA TO NEW CHANNEL CAPACITY AS IT BECOMES AVAILABLE

If the Commission does decide to alter the current "highest implicit rate" formula for leased access and adopt a new standard, it should act in such a manner as to cause the minimum harm to existing innovative programmers like those of Rainbow. The diversity of cable programming that has evolved during the past twelve years has been attributable in part to the original mandate of Congress in 1984 to the FCC that it interpret and structure the Cable Act's leased access provisions in a manner that promoted competition in video programming while not disrupting the cable industry's ability to develop programming and programming packages through its own editorial talents. A rational transition scheme is essential to continue this evolution.

Congress in 1984 recognized that imposing new leased commercial access requirements on cable operators that already faced channel capacity constraints would be excessively burdensome. Thus, Congress did not require cable operators to remove any programming service offered on a cable system as of a firm date four months prior to the

Act's enactment. Instead it deferred the effectiveness of the leased access provisions to any subsequent new channel capacity added by the operator or that became available through other means, such as the failure of an existing channel in the marketplace.[10/]

The FCC's proposals in its Further Notice, if promulgated, would require cable operators to institute changes to their programming lineups just as significant as those that were potentially required under the 1984 Cable Act. But the current mix of services on cable systems between those selected editorially by the cable operator and those that achieved carriage through leased access is based on lawful cable operator decisions sanctioned by the FCC's own leased access rules adopted to implement the 1992 Act.

Rainbow therefore urges the Commission, if it changes that leased access formula, to adopt by regulation a similar grandfathering provision to the one that accompanied the 1984 Cable Act. Requiring cable systems whose channels are filled to implement new leased access requirements now, without any grandfathering relief, would result in as severe inequities both to cable programmers like Rainbow and to cable operators, and cause equal disruption of viewing patterns for consumers, as it would have if abruptly imposed, and not phased in, in 1984.

The anticipated introduction of digital technology should create additional capacity for leased access programmers to use. Thus to now force cable operators to implement

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[10/] Section 612(b)(1) of the 1984 Cable Act states:

> An operator of any cable system in operation on the date of enactment of this title shall not be required to remove any service actually being provided on July 1, 1984, in order to comply with this section, but shall make channel capacity available for commercial use as such capacity becomes available...., 47 U.S.C. 532 (b)(1)(E).

prematurely a new formula with the effect of displacing existing programming is unnecessary and would make no public policy sense. For no rational purpose, it would undermine the diversity of program services achieved since 1984 by the efforts of Rainbow and other programmers.

V. THE FCC SHOULD NOT REQUIRE CABLE OPERATORS TO PLACE LEASED ACCESS PROGRAMMERS ON PARTICULAR TIERS

The Commission's proposal to require cable operators to place leased access programmers "on a tier that most subscribers actually use,"[11/] which in most cases would be the basic service tier or a cable programming service tier, is directly contrary to the intent of both the 1984 and 1992 Cable Acts. As the FCC notes in its Further Notice,[12/] Congress did not, as it did with core public, educational and governmental (PEG) channels, mandate in the 1984 Cable Act a specific tier location for leased access channels.

In 1993, in its order implementing the 1992 Cable Act, the Commission recognized that Congress did not include leased commercial access channels as part of its basic tier definition.[13/] As the Commission noted then, in enacting the 1992 Cable Act, Congress made clear its commitment to balancing the needs of leased access programmers with the legitimate needs of cable operators to market their programming most effectively.[14/]

[11/] Further Notice at ¶ 117.

[12/] Id. at ¶ 116.

[13/] In the Matter of Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992, Rate Regulation, Report and Order and Further Notice of Proposed Rulemaking, 8 FCC Rcd 5631, 5939 ¶ 498 (rel. May 3, 1993) citing 47 U.S.C. § 612(b)(1).

[14/] Id., citing 1992 Cable Act Senate Report at 79.

"Given the diversity of possible access uses," the Commission determined in 1993 that it "did not believe it desirable...to attempt an a priori allocation scheme" for leased access programming.[15]

The Commission's 1993 reasoning remains correct. Assigning leased access programmers to either the basic tier or a CPS tier would result in the negative consequences outlined in the Besen and Murdoch filings. It is of utmost importance for cable operators carrying Rainbow and other current programming networks to assemble their cable service tiers in ways that maximize the diversity of offerings and make the tiers as attractive as possible to consumers.

The objective of a cable operator is not to offer simply a set of individual services, but rather to offer a diverse "mix" of high quality services that different potential subscribers would value and that, through effective packaging and marketing, maximizes the sum of net revenues the operator collects. Requiring the operator to place leased access programming on its most desirable tier would likely diminish that tier's quality, marketability and attractiveness. As a reaction to displacement of programming selected by the operator, cable subscribers might opt to drop a service tier altogether.

The Commission's proposal to require cable operators to carry leased access programmers on their most valued tier would provide an unjustifiable windfall to leased access programmers, and a detriment to programmers such as Rainbow. It would be akin to a commercial land use law that required an upscale shopping mall owner to lease to an Army-Navy store a coveted space next to a top-of-the-line department store at bargain

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[15] Id.

basement rates. If such lower rates were appropriate at all, they should be reserved for the mall's annex, equivalent to the a la carte section of a cable operator's overall channel capacity. All programmers should compete for a top of the line department store lease on the grounds of quality and consumer appeal.

CONCLUSION

For the above reasons, Rainbow urges the FCC to avoid the potential unintended consequences to both existing and new cable programming networks, to cable operators, and to cable consumers of attempting to radically alter the cable programming landscape. Any new leased access formula should insure that leased access programmers adequately compensate cable operators. The FCC, whatever formula it adopts, should provide an adequate transition period during which existing programmers such as Rainbow that have brought to cable television the diversity of services Congress sought in the 1984 Cable Act need not be displaced. Finally, the FCC should make it clear that operators are not required to include leased access channels on the program tiers that they have developed and marketed as a unique package of services to their customers, but can provide leased access program providers with a la carte channel space for their own marketing, so long as billing and collection services are provided.

Respectfully submitted,

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May 6 1996 **Broadcasting & Cable**

Cablevision looks local with MetroPack

Package to offer weather, traffic, sports, shopping among other services

By Rich Brown

Cablevision Systems Corp. subsidiary Rainbow Programing Holdings is developing a new local programing concept, "MetroPack," designed to give cable operators an edge over fast-growing competitors such as DBS.

Rainbow President Josh Sapan predicts that 10 of the next 50 channels added to cable systems will be local and his company is developing MetroPack to meet the demand. Taking its lead from Sunday newspaper and radio stations, MetroPack would offer distinct channels focusing on area weather, traffic, sports, shopping, music, etc. He says the package also would include local extensions of nationally branded networks—Rainbow arts network Bravo, for example, could offer a local spinoff channel called "Bravo New York."

"Everybody thinks that competition means that cable operators, telcos and DBS will have the same programing," says Sapan. "They won't, and can't, if they are to survive in the marketplace. What made cable TV a big deal in the early days was that it carried programing that consumers couldn't get anywhere else."

Sapan says there are no specific rollout plans for MetroPack, but says the concept is "where we'd like to be in the year 2000." He says Cablevision's flagship cable operation in Long Island, N.Y., already is getting its feet wet with a local channel, Extra Help, which offers advice on topics ranging from auto repair to pet care. Cablevision also pioneered the local news concept and currently operates several regional news and sports channels.

Rainbow also has been experimenting with the idea of local spinoff channels based on national networks. The company ran a test in Santa Monica, Calif., allowing local independent filmmakers to cut into the Bravo feed and also has worked with community groups to televise local arts projects on the network.

"As much as consumers are interested in international stories like the assassination of Yitzak Rabin or the war in Bosnia, they also want to know when their streetlight will be fixed, if their team won, who made the high school honor roll and where to go on Friday night," says Sapan. Under current plans, MetroPack would feature local on-air hosts who would guide viewers through the day and occasionally interact with hosts and events from other MetroPack channels.

Sapan would not say whether Rainbow hopes to play a role in developing MetroPack channels for system operators other than Cablevision: "The question of who produces what remains a question to be answered." ■

RAINBOW

GLOBAL DRIVE, LOCAL PRIDE

At 15, Rainbow Programming experiences growing pains of the sweetest sort

By GEORGE MANNES

Thinking globally, acting locally and operating economically. That's the mission of Rainbow Programming Holdings, the 15-year-old subsidiary of Cablevision Systems Corp.

On the one hand, Rainbow is on a mission to expand — adding new services and building on current programming, such as a possible sports venture with Liberty and Fox. But along with Rainbow's expansion there continues a focus on the local — whether it's moving its praised local cable web News 12 Long Island into other markets, or a long-term effort to make SportsChannel Regional Network more identifiable as local product.

And amid its operations is a constant effort to stretch its dollars — or, as Rainbow CEO Josh Sapan puts it, to be "mindful of resources."

It's all part of the core mission that Sapan — the former president named CEO last month — summarizes as, "Find a place in the world, find a core audience, anchor yourself in it, do it brilliantly and better than anyone else does it, and stay true to it."

'People are strongly identified with where they live. Television, in a channel-richer world, has the opportunity to serve that interest in new ways.'

Rainbow CEO Josh Sapan

When it co-founded Rainbow in 1980, Cablevision was motivated by the understanding that "fundamentally, what we're all doing is software, not hardware, and you need to develop your software position," Cablevision founder and chairman Charles Dolan recalls.

Originally known as Rainbow Program Enterprises, Rainbow was conceived as a partnership of Cablevision, Comcast, Cox and Daniels & Associates. Boasting a single transponder, Rainbow offered two services: performing arts channel Bravo and an adult service, Escapade, which was later sold to Playboy.

Rainbow — with Cablevision remaining as the sole owner — has grown to include established services such as American Movie Classics, Bravo, News 12 Long Island and SportsChannel Regional Network (built up from SportsChannel New York, founded in 1976).

Recent launches include the Independent Film Channel; the U.S. incarnation of the Canadian music channel MuchMusic; NewSport, a sports news and

15 years under the Rainbow

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information network; and spin-offs of News 12 created for other regions of the NYC metropolitan area. Rainbow also includes the cable rep Rainbow Advertising Sales Corp.

Along with its programming services, Rainbow has grown financially. "In 1981, we had virtually no affiliated homes, only $11 million in revenue, and some insignificant negative cash flow," says Andrew Rosengard, senior VP of finance.

Slow climb

"It wasn't easy," Dolan adds. "It was well past the halfway mark in the decade before anything that we were doing showed any positive cash flow."

Today, the properties Rainbow operates generate more than $500 million in annual revenue, he says. Older properties — including SportsChannel, Bravo and AMC — generate in excess of $50 million in operating cash flow, he says.

To remain successful, Rainbow's premiere service, AMC, will have to fight off competition from Turner Classic Movies, launched in 1994 and soon to become part of the Time Warner fold. AMC (of which NBC owns 25%) has earnings before interest, taxes, depreciation and amortization of $36 million, according to an estimate by investment banker Bear Stearns earlier this year.

For Sapan, TCM simply is one more competitor in a competitive environment. "There may be an Encore and a Flix and an FXM: Movies From Fox and an FX and a TNT and a TCM," he says. "And there might be four more tomorrow" — not to mention multiplexes of HBO, Showtime and the Movie Channel, along with increased pay-per-view outlets. "And no one event in that changed landscape will be as pivotal as what we do with the brand," Sapan says.

There's always the possibility that AMC might have a movie studio partner "if we ever felt the need to," says Kate McEnroe, executive vice president and general manager of AMC.

"There are several studios right now who don't have cable outlets, who may have some interest in coming into AMC. And that's probably all I should say about that subject."

At SportsChannel, senior vice president Michael Bair says one of his top priorities is moving the regional networks from premium to basic or highly penetrated tiers. Currently, SportsChannel is in the midst of "a very intense negotiation" to convert the entire San Francisco market — controlled primarily by Tele-Communications Inc. — to basic within the next 12 months.

To make up for revenue losses, SportsChannel is adjusting rates and helping operators gear up their ad-sales operation. "The advertising sales upside is so significant that they can make a great deal of money over time on advertising sales. That's where we see our greatest revenue upside."

Local push

With its execs constantly invoking the word "hyperlocalism," Rainbow is making a big push to make its programming more locally relevant. "People are strongly identified with where they live," Sapan says. "Television, in a channel-richer world, has the opportunity to serve that interest in new ways. And we have a nice platform from which to begin that service."

Within the SportsChannel platform, that starts with a plan

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Growth generated by localized look

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to put local hosts on each of the regional services by year's end.

The flagship of localism, though, is Rainbow's News 12 Long Island, a 24-hour-a-day local news channel in 700,000 homes that launched in 1986. News 12's staff produces at least five and a half hours of newscasts per day, but goes live longer as dictated by breaking stories. For example, this summer, News 12 broadcast live 30 consecutive hours, says news director Pat Dolan, to cover a fire raging in the Hamptons.

News 12 is expanding throughout the New York region, with separate incarnations recently launched for Westchester County and southern Connecticut. Early next year Cablevision will launch, in a coventure with Advance Publications, a New Jersey edition of local news that will go to 1.4 million homes in 14 counties.

As the News 12 concept expands its geographic coverage, Rainbow is investigating different ways of tailoring news within each area. For example, the company is experimenting with a service called "neighborhood news," Sapan says. "It's really a separate news service for the town you live in on Long Island, as opposed to the entire geography of Long Island."

Also in the lab is an interactive version of News 12 Long Island, which currently allows 160 subscribers with computers and cable modems to watch the news stories they want in the order they choose.

Laurie Giddins, News 12 senior vice president, marketing and business development, is looking at a variety of online services, such as the Singles Network, first floated as an analog channel but now envisioned as an online service, available partly on the Internet's World Wide Web, and partly as "a highly local component."

GIDDINS

Asked about the potentially hazardous economics of new media, Giddins says, "We are looking very closely at launching businesses that develop incremental revenue streams out of the box. They may not pay for themselves immediately, but they're making money for us immediately."

There's an effort, Sapan says, to develop "new and other ideas that are regionally based, that would sit between, next to or in addition to regional sports and regional news."

"As an operator, I appreciate their approach to continuing to figure out ways to create unique perspectives and take their local roots and create those local

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CABLE OPERATOR PLAYS TO ITS STRENGTHS

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opportunities for us, because that's ultimately a significant way we can differentiate ourselves in our market," says Stuart Lipson, vice president, programming strategy and administration, at Century Communications Corp., one of the largest cable operators in the country.

Some of Rainbow's expansion isn't regional, but global. Last year, for example, the company launched Bravo Canada. "We do think there's application for the other services," Sapan says. "The one that makes the most sense first is Bravo, and that's the one we're most active on, with two or three other countries before us right now."

But one area where Rainbow seems unlikely to expand is the Romance Classics spinoff of AMC that the company has been flirting with for years. "We continue to explore an AMC flanker brand, and it need not necessarily be Romance Classics," Sapan says.

Any talk about the future of SportsChannel is tied into the recently formed partnership between Rupert Murdoch's News Corp. and John Malone's Liberty Media.

The two wanted to bring SportsChannel into the partnership to launch services to rival ESPN, but the control issue could not be resolved.

"The Fox/Liberty partnership makes sense. We understand why they're doing it, and I think it's attractive," new Cablevision CEO James Dolan says. "Whether we will participate in it in the future, etc., is something I cannot comment on."

Tending the Garden

Also looming large is Cablevision's investment through Rainbow in Madison Square Garden. Cablevision and ITT bought MSG in March for $1 billion, with Cablevision putting up $110 million, and the partnership operating on a 50-50 basis, Dolan says. For Cablevision to establish 50% ownership, though, it will have to put up an additional $278 million by March 10. "We intend to go up to 50% ownership," he adds. "We're currently working on it."

Cablevision has considered spinning off Rainbow to Cablevision shareholders in order to fully valuate the assets, Dolan says. But it's a bad idea right now, he says, partly because it would require debt restructuring.

A second problem is that the spinoff would make it harder for Rainbow to tinker with its services to adapt to new technologies at the system level. "The fact that Rainbow and Cablevision still are part of the same company allows Rainbow to get in and experience that technology first-hand," Dolan says. "A spinoff would make that much more difficult. It's not impossible, but you'd have to keep things at arm's length."

Fifteen years after its founding, the challenge facing Rainbow remains the same, Charles Dolan says. "The attractiveness of a service to the market has to be balanced with affordability," he says. "This is not the time to go to market with expensive services. I think you need to find enthusiastic, niche audiences and provide them with excellent service at not too great a cost."

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Cablevision founder Charles Dolan

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National Perspective

MEDIA

Channels Air Little Picture

Trend toward 'hyperlocal' news coverage finds a conduit on cable. Broadcasts can be targeted to areas as small as several neighborhoods.

By ELEANOR RANDOLPH
TIMES STAFF WRITER

HICKSVILLE, N.Y.—The lead news story on Channel 75 was about the Jelly Bean—a tiny shop near the high school where a clerk had been caught selling cigarettes to a minor.

On the screen, the young merchant could be seen trying to explain why he hadn't asked the girl for an ID, a mistake that had earned him a citation from the police. "She looked old enough," he said sourly before turning his face away from the camera.

This small-time sting did not rouse news directors at area TV stations, nor did it excite the editors at the local newspaper. But the police visit to the Jelly Bean was meat and potatoes for the cable News12 Neighborhood Network that serves seven communities on Long Island with all-news programming, 24 hours a day.

"What we're trying to create here are news channels dedicated to specific communities," said Barry Romanski, director of news development for the 8-month-old experiment. "The idea here is to get as hyperlocal as you possibly can."

Hyperlocal? This comes in an era when satellites and lasers, the Internet and the telephone have shrunk the Earth into a global village. CNN and its soon-to-be competitors are scrambling to bring news instantly from around the world and round the clock. The news biggies are talking about expanding their audiences to new continents, not narrowing it to mere neighborhoods.

"We think this is an area where we're somewhat going against the grain," acknowledges Joshua Sapan, who is the CEO of Rainbow Programming Holdings Inc., which is creating Long Island's Neighborhood Network. "We're not contradicting those who say that the global news is important. But at the same time, your own block is fiercely important to you. As the world becomes more global, it simultaneously becomes more local."

In fact, Sapan and others at Rainbow are among television's programming pioneers for the news business. Already a number of TV executives have begun experimenting with mini-CNNs, in some cases as a knockoff of Rainbow's News12 Long Island, an all-news television channel started almost a decade ago.

In New York, Chicago, Washington, Seattle and other cities, programmers have been adapting or re-creating 24-hour local news formats. These channels offer "wheels" of local news that are cycled throughout the day, often with updates at the hours when most viewers look for news.

Sapan and his company are now taking that experiment and making it more local, cranking down the focus from a suburban area to a smaller community.

"Because people have been trained with CNN or their local news, they want news from every perspective: international, national and particularly local. And they want it right now. They want it on demand," said David Bartlett, president of the Radio and Television News Directors Assn. Like many experiments in the world of new media, "nobody is quite sure where it will go and especially how it will make money," said John Morton, a media analyst at Lynch, Jones & Ryan. "But everybody at least wants to be familiar with it because someday something is going to work."

Rainbow Programming Inc. already has a record at experimenting with cable. The company, which put together the Bravo channel in 1980 and the American Movie Classics channel in 1984, launched News12 Long Island in 1986. The 24-hour show became the precursor to several other local all-news shows, and it now reaches 700,000 households and is the "newscast of record for Long Island," as Pat Dolan, Rainbow's vice president for news, puts it.

"Just as News12 Long Island in a way pioneered the local 24-hour news channel, I think they are also, in a sense, pioneering this hyperlocalism," said Rich D'Amato, a spokesman for the National Cable Television Assn. in Washington. D'Amato noted that the experiment comes at a time when the Long Island area has the technology to allow a news organization to target smaller areas, or "addressable boxes," as those in the news business call them.

Rainbow's neighborhood channel is sold through its parent company, Cablevision Systems Corp., which can target areas as small as 500 homes. This means that in an overall area of 50,000 to 70,000 homes, the programs can be directed to communities—in this case seven neighborhoods.

For an extra $1.95 on a $32.95 monthly bill, each of those neighborhoods can get a different news show on their Channel 75. So far, the number of viewers is not something to brag about. In January, only 2,500 homes were subscribing to Hicksville's station.

Moreover, the channels do not yet sell advertising and don't hope for an overwhelming profit from the local pizza parlor or auto showroom if they do.

RICHARD HARD For The Times

Ellen Carey holds down the Hicksville bureau for News12 Neighborhood Network.

Sapan hopes that if the community embraces the hyperlocal news stations, that loyalty will translate into profits because it will enhance a cable system's total package.

News12 Neighborhood News runs a lean and fast operation. It is housed in a few cubby-like rooms inside a Cablevision office park. There are no unions; the staff members are young, and each reporter churns out as many as 15 stories a day—including pictures—for the various channels.

When the experiment started, Romanski said they hoped for a 60-minute news show that would be repeated and sometimes updated every hour. As they began to hunt for news to fill this hour each day in such communities as Hicksville or Farmingdale, the length of the basic show grew shorter and shorter.

Now the news "wheel" is 10 to 15 minutes and features such stories as the arrival of the newly designed $100 bill to the area (one customer's C-note bled onto a damp counter) or the efforts of a youth who organized a blood drive to earn his final badge as an Eagle Scout.

"My favorite kind of story—I hate to say this, but in terms of the timing, it's true—is a house fire," says Ellen Carey, bureau chief for Hicksville and the other six hyperlocal shows. "From the time of the call to the time on the air is about an hour, max."